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Key Issues for Sudan

Sudan's economic outlook is bleak. GNP has declined in recent years, agricultural production -- the key sector of the economy -- is stagnant, and the country is unable to service its \$7.2 billion foreign debt. The conclusion of an IMF Standby Agreement is essential to deal with these difficulties.

- IMF measures, including a major devaluation, will result in higher prices for essential commodities.
- The Sudanese have resisted some of the IMF's conditions and their negotiations with the Fund have left considerable bad feelings. Although the US Ambassador on November 1 concluded that Sudan's Finance Minister is presently not prepared to provide the essential push to ensure President Nimeiri's acceptance of the IMF agreement, we believe Sudan eventually will reach an agreement. The difficulty in the coming days will be bridging the remaining gaps and mistrust between Sudan and the IMF.
- Without an IMF agreement, efforts to secure additional economic aid and crucial debt rescheduling would be difficult, if not impossible. Foreign currency reserves are almost exhausted and without new inflows of foreign exchange, shortages of essential imports of food and fuel will become more severe. [REDACTED]

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Imposition of the necessary austerity measures proposed by the IMF is likely to have serious political consequences.

- Nimeiri's ability to balance competing opposition groups against one another and the high level of Sudanese public patience have enabled the Sudanese leader to weather a number of crises over the years. His room for maneuver, however, is increasingly restricted.
- A growing number of people, both inside and outside of government, have come to believe that the government is unable to reverse the country's economic decline and think that a change in government is necessary before the situation can improve.
- Students, the most volatile element in Sudanese society, were behind the protests in January against an increase in the price of sugar and are likely to be the focal point of new anti-regime demonstrations.
- Morale in the armed forces has been steadily slipping, and the willingness of the military to put down widespread unrest may be in doubt. In the final analysis, the loyalty of the military probably will depend on Nimeiri's ability to demonstrate some progress toward solving the nation's economic problems. [REDACTED]

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